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PROTECTIONISM AND UNEMPLOYMENT UP, GROWTH DOWN

Why the West is Worried About 1978

For the non-communist industrial nations, 1978 is likely to be a year of mediocre growth and mounting economic problems. Officials in the U.S., Western Europe and Japan have tried all year to keep their respective economies on a tightrope—controlling inflation and at the same time allowing modest economic growth. But by the time they got to Washington this month for the annual meeting of the International Monetary Fund (IMF) and the World Bank, it was clear that they had leaned too heavily on the brakes. Their policies had been so cautious that even the modest growth targets set at last May's economic summit in London were not being met. "The world economy," warned *Business Week* just before the Washington conference, "is in serious trouble."

Among the signs of trouble:

- The OECD (Organization for Economic Cooperation and Development) which groups the 24 leading capitalist nations has just lowered its growth projections for next year to below 4 percent. That is slightly lower than the average growth for OECD nations this year. Only last June, the OECD had set a target for next year of 5 percent growth overall. Western Europe is in the worst trouble: the OECD predicts that the next year will bring no change in Europe's current growth rate of 2.75 percent.

Although most officials did not predict anything as dramatic as another recession next year, there was widespread concern expressed at the IMF/World Bank meeting that recovery from the last recession may slow to the point of becoming imperceptible.

- Growth this sluggish will produce a steady rise in unemployment next year. Western governments are already concerned that mounting joblessness will produce new domestic political pressures, as well as strengthening the hand of the left in France and Italy.

- Faltering recovery and high unemployment will add to already-strong pressures for protectionism. At every international gathering, the industrial nations have reaffirmed their commitment to free trade. But in reality a variety of restrictions are cropping up. The U.S. has negotiated "orderly marketing agreements" to limit imports of shoes and color TV sets. Pressures on the Carter administration for stronger measures are intensifying. Zenith Radio Corp., under intense competition from Japanese imports, announced earlier this month that it plans to eliminate 5,600 jobs and transfer production to "cheap labor areas" overseas. Bethlehem Steel disclosed plans to lay off 2,500 workers this month. One of the chief concerns of Western economists at present is to prevent an escalation of tariff walls and quotas that would severely restrict international trade.

- West Germany and Japan have not stimulated their own economies enough to provide much of a boost to other indus-

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Job hunting in Britain; foreign steel in Houston: unemployment and mounting protectionism are seen as urgent problems

CARTER, BREZHNEV SEEK SALT COMPROMISE

New Life in Old Detente?

Both Washington and Moscow now appear intent on getting detente back on track after near derailment in the first months of the Carter administration. The tenuous relationship between the U.S. and the Soviet Union has been bolstered recently by the toning-down of Carter's human rights campaign, the Soviet-American cooperation to head off a South African nuclear test, and the joint U.S.-Soviet communique on the Middle East.

But these moves could be ephemeral if there is no substantial progress on the most important single issue in U.S.-Soviet relations—the limitation of nuclear arms. On that front, there are indications that the two sides have made significant compromises and may have achieved a breakthrough in efforts to reach a SALT II agreement. The pace of negotiations accelerated just prior to the expiration of the 1972 SALT accord on October 3. In his speech before the United Nations on October 4, President Carter stressed his goal of reducing nuclear weapons on a reciprocal basis by "10 percent, by 20 percent, even by 50 percent," and said the U.S. and the Soviet Union were within sight of a new SALT agreement.

Carter's optimism followed two rounds of talks with Soviet Foreign Minister Andre Gromyko September 23 and 27. Although Carter cautioned the press two days later that it "could take quite a long time" to resolve the "relatively small number" of differences that remain to be settled in SALT II, he said he

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Israel's Strategy in Lebanon

The latest rift between Israel and the U.S. over the Soviet-American Mideast endorsement of "legitimate Palestinian rights" has deepened concern that the right-wing Begin government will give serious consideration to a pre-emptive strike. But even with its back to the wall, in near-total diplomatic isolation internationally, the Israeli government is unlikely to exercise its military option without a pretext. Egypt, Syria and Jordan—largely pleased with the latest tilt of the Carter administration—are unlikely to provide such an excuse, although their rhetoric never excludes the idea of going to war if Geneva talks fail. At least in the short run, it is the ongoing conflict between Palestinian guerrillas and Lebanese rightists along the Israeli border in southern Lebanon which offers the most probable pretext for a fifth Arab-Israeli war.

Last month's Israeli incursion across the border—reportedly involving at least two infantry companies backed by tanks and armored personnel carriers—followed months of escalating confrontations in that region. Over 100,000 people have fled their homes in southern Lebanon as it has become clear that the fighting cannot easily be ended. The official Lebanese army—with only 3,000 soldiers—is clearly inadequate to the task of imposing a secure cease-fire. Syria, whose 30,000 troops have imposed a cease-fire in the rest of Lebanon, does not want to provoke Israel by violating its tacit understanding not to enter the border zone. The Syrians also fear that their troops may have to be shifted out of Lebanon to bolster their own defenses in the Golan Heights.

The position of the Palestinians in the border area is complex. Mainstream elements of the PLO—reportedly under pressure from Saudi Arabia—have for some time been disengaging from the most tense border areas, whereas the largest Marxist group, the Popular Front, has refused to withdraw from the region or to halt its guerrilla attacks against Israel. The Popular Front opposes a PLO role in talks with Israel, so it has no desire to offer military concessions in pursuit of such talks.

One objective of Israeli military operations in Lebanon is to heighten the internal tensions in the PLO at a time when Washington seems to be offering PLO moderates a possibility of recognition and a role in peace negotiations. A month before the Israeli incursion into Lebanon September 21, columnists Rowland Evans and Robert Novak virtually predicted the



Israeli APC passing through fence into Lebanon

move, claiming diplomatic experts were giving "odds of just under 50-50 for a swift Israeli move across the border against PLO guerrillas under the attractive guise of protecting Lebanese Christians." Although the Carter administration successfully pressed for swift Israeli withdrawal, it failed to prevent the incursion in the first place, and there is no reason to believe that a future mini-invasion of similarly limited objectives could be stopped.

Israel's allies in southern Lebanon are not anxious to see a wider peace between Arabs and Israelis, and they want Israel's continued help in their effort to expel the Palestinian presence in Lebanon. *Time* magazine has estimated Israel's support for the Lebanese right at \$30 million worth of arms and other supplies. Israeli Mirage jets have flown over the conflict zones, presumably performing reconnaissance functions; and Israeli gunships were reported outside the Mediterranean port of Tyre, where Palestinian supplies are unloaded. The rightists themselves continue to recruit and train their private armies at a faster rate than the Lebanese government's armed forces have been rebuilt.

Since early last summer, one pattern has consistently appeared in southern Lebanon: whenever Mideast diplomacy intensifies, fighting in the border region escalates. As the Carter administration continues to press for Geneva talks this fall, Lebanon may once again hold the spotlight as the main event in the Mideast military arena. —RS

Panama: the "Neutrality" Debate

The neutrality issue has taken center stage in the debates on the new Panama Canal treaties, and the Carter administration is going out of its way to interpret the vague provisions of the key neutrality article (see box) in terms most likely to win over conservative opponents. In fact, because of worry in Congress over what is seen as differing U.S. and Panamanian interpretations of Article IV, the Senate will most likely attach a "statement of understanding" to the treaties if it approves them. The statement would spell out the Senate's interpretation of Article IV and other controversial articles.

While carefully avoiding use of the politically charged word "intervention," U.S. negotiator Sol Linowitz and top administration officials insist that Article IV gives the U.S. the right to take any steps necessary, including the use of military force, to keep the canal neutral after it passes to Panamanian control in the year 2000. Linowitz told the Senate Foreign Relations Committee late last month that "we are under no obligation to consult with or seek approval from any other nation (including Panama) or international body before acting to maintain the neutrality of the canal..." He was backed up by Secretary of State Cyrus Vance and Joint Chiefs of Staff Chairman General

George S. Brown, who carried the interpretation further, telling a House committee that the treaties allow the U.S. to defend the canal even against Panama.

But Senate Foreign Relations Committee members were not satisfied with these assurances. They had before them the transcript of remarks made in Panama last month by chief Panamanian negotiator Romula Escobar Bethancourt, which contradicted the Carter administration's interpretation of Article IV. Escobar said publicly that "the treaty does not establish that the United States has the right to intervene in Panama." He also denied that the treaty gives the U.S. the right to decide when and if the canal's neutrality is violated, or that it gives U.S. warships the unlimited right to go to the head of the line—another point of concern for treaty

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Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal ARTICLE IV

"The United States of America and the Republic of Panama agree to maintain the regime of neutrality established in this Treaty, which shall be maintained in order that the Canal shall remain permanently neutral, notwithstanding the termination of any other treaties entered into by the two contracting parties."

Anti-Left Media Blitz in France

Moderate and conservative French intellectuals have launched a varied although apparently uncoordinated attack against the shaky Left coalition favored to win general elections in March 1978. The critique of the Left comes not only from predictable sources—leading financial institutions—but from unexpected quarters as well—young, former Left activists grouped under the label “new philosophers.” For those not reached by economists or philosophers, at least one anonymous writer has penned a dramatic best-seller that predicts the rise and fall of the Left coalition. If there is one theme in common to these efforts it is that Leftist ideals and the Socialist-Communist programs are impractical and potentially catastrophic.

The “new philosophy” movement has been inspired by writings of Soviet dissidents, especially Alexander Solzhenitsyn, and echoes criticisms of an older generation of French intellectuals such as liberal columnist Raymond Aron and social critic Jean-Francois Revel, each of whom has published a major anti-Left treatise in

the last year. But it is the new and younger writers, most of whom were Marxist activists in the student-worker upheavals of 1968, that have captured French public attention and commercial success. Andre Glucksmann's *The Master Thinkers* and Bernard-Henri Levy's *Barbarity With a Human Face*—two leading works of the new movement—sold more than 80,000 copies apiece within months of their release, easily qualifying as hot bookstore items. Levy, the philosophy editor at the Grasset publishing house, has also recruited other writers for a series of books attacking Marxism in general and the Socialist-Communist electoral front.

However, a work of fiction, not philosophy, has scored the highest sales figures in the last few months. *The 180 Days of Mitterand*, written under the pseudonym Philippe de Commynes, sold 72,000 copies in its first two weeks on the market. *Days of Mitterand* predicts a solid Left victory next March and ensuing constitutional conflicts between Socialist Prime Minister Francois Mitterand and

Republican President Valery Giscard d'Estaing, who may remain in office until 1981. As the crisis deepens, kidnappings, nuclear protests, strikes and rightist-inspired economic sabotage erode the Left's ability to govern. Finally, when Mitterand threatens to close an industrial plant, the Communists withdraw from the coalition, Mitterand resigns and new elections are called.

A recent economic study projects a similar, though less sensational analysis. Eurofinance—a Parisian investment consulting firm sponsored by U.S. and French financiers—predicts that under a Socialist-Communist government increased taxes on the wealthy would not generate enough income to meet rising public sector expenses, especially those related to nationalizations. The study predicts that by the Left's second year in office, imposition of price controls (without corresponding wage controls) would aggravate France's inflation and unemployment problems, and contribute to falling rates of profit and investment.

The French also have a new daily newspaper, with a conservative bent, called *J'informe*. It was started at the end of September by a well-financed ex-Gaullist minister and intends to compete with the left-leaning, sober *Le Monde*.

In an effort to capitalize on these books and publications, a newly created public relations operation has been established in Paris, known as “Association for Democracy.” The unit is ostensibly independent of the present government, although it is run by the President's former press aide. It is supported—about \$60,000 per month—by major business donors and has close ties with the state-run radio and TV industry. The group specializes in media productions, which included a series of newspaper ads in early September urging readers to study Communist criticisms of their Socialist allies. —BW



opponents.

Defending Washington's interpretation, Linowitz told committee members that Escobar's statements do not repre-

sent the Panamanian government's position, and said that Panama's foreign minister had assured him that Escobar would not make such statements again. On several occasions, administration officials have indicated that the Panamanian government has in fact agreed to Washington's interpretation of Article IV but can not say so at home for political reasons. Recognizing the Torrijos government's weak position on the neutrality issue, some Panamanian left leaders—while giving the treaty “critical support”—argue that it perpetuates and could actually deepen what they call Panama's “neo-colonial relationship” with the U.S. —EF

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D. Free distribution (including samples) by mail, carrier or other means	170	181
E. Total distribution	5,759	5,793
F. Office use, left-over, unaccounted, spoiled after printing, returns	641	707
G. Total	6,400	6,500

I certify that the statements made by me above are correct and complete. —B. Garrett, Editor

INTERVIEW WITH FOREIGN MINISTER MKAPA

Tanzania's Pivotal Role in Africa

Tanzania, in 16 years of independence from Britain, has emerged as one of the most influential countries in Africa and the Third World. Although it lacks mineral wealth and is listed by the UN as one of the world's 25 poorest countries, Tanzania has managed to play a major role in the struggle to rid southern Africa of colonialism and white-minority rule. Its president, Julius Nyerere, who visited the U.S. this summer, is the chairperson of the five "frontline" countries pushing for majority rule in Rhodesia (Zimbabwe).

During his recent trip to Africa, Steve Talbot interviewed Tanzania's Foreign Minister Benjamin Mkapa. A former newspaper editor, Mkapa is considered a moderate in Tanzanian politics.

"It is no secret that we are trying to enlist the United States to support the promotion of social, racial and political justice in southern Africa," Tanzania's Foreign Minister Benjamin Mkapa told Internews this summer in Dar Es Salaam. "The Carter administration has said it favors majority rule. Well, we want to seize this current and see whether we can swim along with it. We need to test the waters in Washington, see how warm they are, how strong the current is, and determine whether it can be harnessed to our cause."

Mkapa, like President Julius Nyerere, also welcomed the Carter administration's human rights campaign, but emphasized that South Africa—as the world's worst violator of human rights—should be the primary target of that campaign. "In South Africa there is a denial of people's very humanity," Mkapa said. "The apartheid system denies the most basic human rights to some 20 million people. They live under a tyrannical, racist police state."

On the issue of the role of U.S. and other foreign corporations in South Africa, the Tanzanian foreign minister argued that the multinationals "help prop up apartheid." He added, "The more investments that go into South Africa, the more the apartheid regime believes it is accepted by the outside world. Withdrawal of investments is one of the most important forms of pressure that can be used to promote change."

"The situation in southern Africa is the principal preoccupation of my ministry," Mkapa continued. "In the case of Mozambique, for example, we have made it clear that to the extent we are physically able, we will do everything possible to help." In an interview with the *London Observer* in August, Mozambique's President Samora Machel acknowledged that Tanzanian troops were now stationed in Mozambique to assist in defend-

ing the country against Rhodesian attack and to "help us reorganize our army to transform it from a guerrilla army into a modern army."

Mkapa said Tanzania continues to support the presence of Cuban forces in Angola. "You must remember it was a question of the MPLA government going under to an assault by the South Africans and their allies," he said. "So they turned to Cuba for help and the Cubans were ready. Can you imagine what Angola would have been like under South African control? Namibia is bad enough."

While concentrating on the political struggle in southern Africa, Tanzania has also been a leading advocate of a new international economic order demanded by Third World countries. "The current terms of trade are very bad for poor, underdeveloped countries," Mkapa noted. "They must be renegotiated. We favor the restructuring of institutions like the World Bank to end their virtual domination by rich nations. We also support the creation of a common fund to stabilize the prices paid for raw materials. And of course in our own country we have chosen to develop along socialist lines."



Rural Tanzania: drying sisal

Mkapa said Tanzania had been hard hit by the steep rise in oil prices. Unlike many Third World leaders, Mkapa did not hesitate to criticize oil-producing countries for not giving price breaks to poor nations. "We have tried to make approaches, but they say they can't make exceptions for any countries because they are selling on the world market, and of course there is logic to that I suppose," Mkapa said. "The result is that the most the oil producers have done is to establish an oil fund for poor countries. But the effect is minimal. And what you do is borrow from the fund so all you are really doing is increasing your indebtedness. It is a very serious problem."

Mkapa said that Tanzania gets aid from the United States (\$90 million in

the past three years), Scandinavian countries (Norway is giving \$25 million this year), China (an interest free loan to finance the \$520 million TanZam railroad) and the Soviet Union (which was criticized by Nyerere during Podgorny's visit for not giving enough aid but now has announced it will provide \$15 million to build a dam and a technical school).

The *Wall Street Journal* reported August 5 that foreign diplomats in Tanzania have detected "a slight shift toward capitalism" in recent months. The World Bank is active in Tanzania, arguing that Nyerere's "African socialism" based on the communal village or *ujamaa* model has failed and recommending that the country turn increasingly to foreign investment. It is clear that Tanzania's future course of development is still a matter of debate within the government.

Mkapa said that Tanzania has a basic commitment to trying to achieve an "egalitarian" society, but he readily acknowledged that the country had serious economic problems. He was particularly upset by the recent collapse of the East African community—a kind of Common Market linking Kenya, Tanzania and Uganda. "It is a real setback for us," he said, shaking his head. "We hoped to expand the community to include countries like Mozambique. It is the logical path of African development for African countries to cooperate. But some states, like Kenya I'm afraid, just think of themselves and making quick money."

Tanzania had long complained that Kenya was reaping most of the benefits from the community because it was the center of industry and was reluctant to help finance factories in Tanzania. Kenya was primarily interested in Tanzania as an outlet for its products.

Mkapa's message to Americans? "Don't be so obsessed about communism. This American preoccupation with the idea that armed struggle will inevitably lead to satellite countries of Russia or China in southern Africa boggles my mind. Just because someone takes weapons from a communist country doesn't mean he's a communist."

Mkapa, whose government does not regard itself as Marxist, also criticized what he called "overnight Marxist-Leninists." "It has become fashionable," he said, "for some countries to declare themselves Marxist-Leninists and then mistake the declaration for reality. Socialism is very hard to establish, I can assure you. You don't get it simply by mouthing phrases." —ST

New Life in Detente?

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had been encouraged "by the cooperative attitude of the Soviets" who "have been fairly flexible in their attitude."

Gromyko emerged from the second round of White House talks saying that the remaining problem was to "finalize" the agreement. He reportedly had delivered the Soviet Politburo's response to administration SALT proposals made by Carter and Secretary of State Vance the previous week. The U.S. proposals reportedly included an offer to limit the number of U.S. bombers carrying cruise missiles to about 250 in exchange for a similar or lower limit on the number of Soviet "heavy" SS-18 and SS-9 intercontinental ballistic missiles (ICBMs).

Both Carter and Soviet President Brezhnev seemed concerned to show forward movement in detente—especially SALT—at this time, which some analysts say accounts for the mutual flexibility in the arms negotiations. Carter, trying to move his administration forward again after the Lance affair, apparently wanted to demonstrate that he could successfully manage U.S. foreign policy and reverse the downward slide in Soviet-American relations. One analyst of Soviet affairs suggested that Brezhnev, hard-pressed by his own domestic critics of detente, hopes to show a clear improvement in relations with Washington, especially in the SALT negotiations, prior to next month's celebrations of the 60th anniversary of the October revolution.

The new Soviet flexibility in SALT also came after Vance's trip to Peking August 22-26. Some Carter advisers had argued that a successful Vance trip to China would pressure the Soviets into greater compromises in the arms talks because of their fear of Sino-American collusion. But Vance's trip failed to make progress toward normalization of relations between Washington and Peking, and according to Chinese Vice-Premier Teng Hsiao-ping, it actually set back Sino-American relations. The Soviet aim following Vance's return may have been to show Carter that Moscow is a more reliable, cooperative and important partner for the U.S. than Peking.

Soviet leaders may also have been compelled by fears that new technological developments and increasing pressures for arms expansion in the U.S. might soon undermine any prospects for a new arms accord. Secretary of Defense Harold Brown warned in a major policy speech to the National Security Industrial Association September 15—just a week before Gromyko arrived in Washington—

that the U.S. "will not be outgunned" by the Soviet Union. Brown said the U.S. is "determined to maintain the U.S. strategic deterrent"—preferably through SALT agreements—but would do so "by whatever means and resources are necessary." He also gave new ammunition to the hardline SALT critics in Congress by disclosing that the Soviets are developing four new ICBMs.

While Brown's speech served as a warning to Moscow that the U.S. was prepared to escalate the arms race if a new SALT accord is not reached, the Defense Secretary may have also been trying to ease Soviet fears that the U.S. is developing a first-strike nuclear capacity. Brown said "the U.S. has no desire for or plan to develop a first-strike, disarming capability against the Soviet Union." He tied this pledge to future U.S. interpretations of Soviet behavior, however, saying, "we shall not seek such a capability provided the Soviets show similar restraint toward the U.S."

In testimony before the House Armed Services Committee last August, Brown indicated that he preferred deployment of air-launched cruise missiles over the MX mobile ICBM, because cruise missiles would increase the U.S. second strike retaliatory force without giving the U.S. a first-strike capability. The MX, he acknowledged, could appear to the Soviets to give the U.S. a first-strike capability against their ICBMs. Nevertheless, Brown reportedly has tentatively approved funds in next year's Pentagon budget for further development of the MX—possibly as



Sec. Brown: no first strike?

ADMINISTRATION VIEW OF U.S.-SOVIET COMPETITION

Secretary of Defense Brown, in his speech to the National Security Industrial Assoc. Sept. 15, summarized the assumptions that underlie Carter administration policy toward the Soviet Union:

"First, relations between the U.S. and the Soviet Union continue to be marked by both competition and cooperation, with the attendant risk of conflict as well as the opportunity to stabilize these relations.

"Second, in many of the non-military aspects of the competition, the U.S. has enormous advantages over the Soviet Union:

—in industrial, agricultural, and technological capabilities, and in diplomatic influence;

—in the energy and enterprise of its citizens;

—in the appeal of our system—its responsiveness and plain decency; and

—in the support of allies and other friends who genuinely share similar aspirations.

"Third, the Soviet Union suffers from major internal disabilities... economic, political, and social. It lacks genuinely committed allies, and has experienced setbacks in its relations with the People's Republic of China, India, and parts of Africa. On the other hand, the USSR is able to concentrate its efforts on a narrow front in consequence of a closed decision making process. In some cases this is a real advantage to them.

"Fourth, many international trends and issues continue to develop independently of the competition between the Soviet Union and the U.S.; accordingly, it would be a mistake to focus all our attention and resources on this rivalry or on its military components.

"Finally, despite the importance of these other trends, the Soviet Union remains our principal national security problem—not the only one, but the biggest one."

a SALT bargaining chip. President Carter has offered to halt work on the MX in exchange for the Soviets forgoing deployment of their SS-16 mobile ICBM. Any attempt to cancel the \$30 to \$50 billion MX program, however, is expected to lead to major battles within the administration and between Carter and Congress.

In his September 15 speech, which Brown said outlined the administration's strategic nuclear policy following the major review of U.S. global strategy in PRM 10 (see *IB* Vol 4, No 15), the Secretary of Defense also appeared to rule out limited nuclear war against the Soviet Union as a viable option. He argued that "any use of nuclear weapons by the two superpowers against one another—tactical or strategic—would carry a high risk of rapidly escalating the conflict to a full-scale thermonuclear exchange..." And such an exchange, he added—no matter which side strikes first—"would be a disaster of unprecedented proportions to both sides."

—BG

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SECRET TALKS STRAIN NATIONALIST ALLIANCE

The revelation of secret talks between Rhodesia's white-minority leader Ian Smith and Zambia's President Kenneth Kaunda has jolted the nationalist movement in Zimbabwe (Rhodesia).

rhodesia

Smith met with Kaunda in Lusaka, Zambia, for eight hours on Sept. 25, but the meeting was not announced for a week. The Smith-Kaunda talks prompted speculation that Smith was making a last-ditch effort to divide the Patriotic Front guerrilla forces and reach a separate deal with Joshua Nkomo and ZAPU, bypassing the more militant Robert Mugabe and ZANU. ZAPU is based in Zambia and Nkomo has long enjoyed a close relationship with President Kaunda. Nkomo and Mugabe were supposed to hold talks on uniting their armies on Oct. 3 in Lusaka, but Mugabe did not show up. ZANU sources said Mugabe was angry and confused by the secret Smith-Kaunda talks, which had just been revealed.

Meanwhile, the UN Security Council has approved the first stage of the latest Anglo-American plan for a settlement in Rhodesia, authorizing Secretary-General Kurt Waldheim to appoint a UN commissioner to help the British govern Rhodesia during a six-month transition to majority rule. Waldheim named India's Major General Prem Chand, who commanded UN forces in Cyprus and served as an officer during the UN intervention in the Congo in the early '60s. The Patriotic Front, in a statement issued Sept. 12 signed by Nkomo and Mugabe, rejected the plan for a UN peacekeeping force, but Nkomo—when he appeared before the UN Security Council—raised no objection to the appointment of the UN commissioner for Rhodesia, who would command the UN forces.

Mozambique's President Samora Machel told the UN General Assembly Oct. 3 that the Anglo-American proposal provides a "basis for negotiations," but he said that the Rhodesian army must be completely dismantled in any Rhodesian settlement. Mozambique announced the next day that Rhodesian forces had again launched a major attack against Mozambique's northern province of Tete.

TRADING CLAIMS...

The U.S. and Cuba are still far from agreement on U.S. companies' demands for compensation for properties nationalized after the Cuban revolution. Cuban Foreign Trade Minister Marcelo Fernandez Font, the first Cuban cabinet minister to visit the U.S. in nearly 17 years, told the East-West Trade Council in Washington earlier this month that damage to Cuba from the U.S. trade embargo and the 1961 Bay of Pigs invasion probably exceeds the \$1.8 billion claimed by the American companies. He reiterated the position taken in a Havana speech Sept. 28 by Cuban Pres. Fidel Castro, who ruled out the possibility of compensation to U.S. firms unless Cuba was in turn compensated for aggression against it from the United States.

In his Washington speech, Fernandez also emphasized Cuba's demands that the U.S. lift the economic blockade of Cuba unconditionally before further steps can be taken toward normalization of relations. The blockade "was a unilateral measure and it should be lifted unilaterally," Fernandez said. "You cannot take a unilateral action and then expect to get something for lifting that action—this defies all logic." Fernandez told the business executives of the Trade Council that if the embargo were lifted, U.S. exports to Cuba could total \$350 million in the first year and then rise to over \$1 billion in three or four years.

Rep. Jonathan Bingham (D-NY) introduced legislation in Congress Oct. 3 to lift the trade embargo but was not optimistic about its success, partly because the Carter administration is not now pushing for further steps toward full relations with Cuba. In Havana last month, Fidel Castro said the "process of détente" with the U.S. will be "a slow and long process."

SHOPPING FOR ARMS IN FRANCE

The most important Chinese military delegation to visit a Western country since the founding of the People's Republic in 1949 spent 10 days in France last month touring military installations, inspecting arms technology, and meeting with top military and civilian officials. The 15-member delegation was led by deputy armed forces chief of staff Gen. Yang Cheng-wu and included eight other generals as well as specialists in telecommunications, armaments, and strategic and tactical warfare. Chinese and French officials said Peking is interested in buying tanks, anti-tank weapons, military communications equipment including radar, and modern aircraft, including the yet-to-be-produced Mirage Delta 2000 jet fighter. The Delta 2000, according to the chief of the French air force, will be capable of intercepting the Soviet MIG-25 Foxbat, the world's fastest and highest flying combat plane, which is deployed on the Chinese border. China currently has some 4,000 military aircraft, but China's jet fighters, like its other conventional weaponry, are 15 to 20 years out of date.

Gen. Yang reportedly discussed frankly the "lamentable" state of China's conventional armaments with French leaders and expressed the commitment of China's post-Mao leadership to military modernization. Yang also reportedly said China realizes it will have to turn to the West for now to carry out its modernization plans and that it hopes France will become an arms supplier. France has already sold China 15 Alouette III light helicopters and 15 Super Frelon heavy helicopters. According to the Paris paper *Le Figaro*, to finance this modernization Chinese Vice-Premier Teng Hsiao-ping "wants to raise the defense budget to 15% of the gross national product, while it is currently 8-9% of the GNP."

The Chinese delegation visited France's strategic nuclear missile silos on the Albion plane in central France and was shown the tactical nuclear missile Pluton at Camp Mailly in the north.



Gen. Yang Cheng-wu shopping in Paris

ANOTHER SHIFT IN U.S. POLICY

In the latest maneuvering in the Horn of Africa, Ethiopia is seeking a rapprochement with the U.S., and the Carter administration has backed away from its brief flirtation with Somalia. According to a *New York Times* report Oct. 3, the administration has decided to drop its attempt to entice Somalia away from the Soviet Union. Instead

horn

the U.S. will follow a more evenhanded approach, avoiding military involvement in the Horn. This represents a shift from the policy developed in the spring and early summer of isolating Ethiopia and wooing Somalia. The *Times* says that the administration now regards its earlier policy as a mistake. The new U.S. stance reopens the possibility of improved relations with Ethiopia, Washington's traditional ally in the region.

Ethiopia, which expelled U.S. military personnel in April and has turned to Moscow for its arms needs, has recently indicated a desire to improve ties with the U.S. Its immediate objective is to obtain \$40 million worth of U.S. equipment purchased before the two countries broke military ties. Ethiopia's foreign minister told the *Washington Post* last month that his country would like to develop relations with the U.S. similar to those enjoyed by Yugoslavia. Signs of Ethiopia's new attitude toward the U.S. include: a decision to send a new ambassador to Washington after two years, an order to local media to stop attacking "American imperialism," and a request for U.S. economic aid. After two U.S. envoys held a series of meetings with Ethiopian officials last month, the administration reportedly decided to reject Ethiopia's requests for a resumption of arms supplies. However, Reuters quoted sources in Beirut this month as saying that the U.S. left open the possibility of talks on improving relations should a "less radically Marxist" government come to power in Ethiopia. The sources said the U.S. appears to hope that Col. Mengistu Haile Mariam might be replaced as Ethiopia faces increasing military pressure in its wars in Eritrea and the Ogaden desert.

GANDHI'S DAY IN JAIL

Former Prime Minister Indira Gandhi's arrest Oct. 3 came as no surprise. Gandhi herself had predicted several weeks earlier that she would be detained and had challenged the government to jail her on political charges. Her arrest coincided with indications that she is trying to launch a political comeback. Following her disastrous election defeat last March, Gandhi remained in seclusion for several months. But recently, she has begun travelling and attracting large crowds. She has sharpened her attack on the Janata party government, charging that it is incompetent and has "done nothing in five months." Any doubt that she is mounting a political challenge to the government was removed when six hours after her release from jail Oct. 4, she set out on a three-day speaking tour of Gujarat province in Western India.

Gandhi was released unconditionally from jail by a New Delhi judge who said the government lacked evidence to detain her. She is charged with corruption in two cases involving the alleged use of her office to obtain jeeps for electioneering and alleged irregularities in the awarding of an offshore drilling contract to the French oil firm CFE. Some of her opponents acknowledge that the real charges against her are political,

resulting from the 18 months of emergency rule under which she jailed 100,000 of her political opponents. Gandhi may be hoping to capitalize on the seeming insignificance of the corruption charges against her to win public sympathy.

HOMAGE TO CATALONIA

A royal decree Sept. 29, approved by the Spanish cabinet, formally restored autonomy to the northeastern region, Catalonia.

spain The restoration will become final once a new constitution is drafted for the entire country. The move apparently eases one of the main problems facing Prime Minister Adolfo Suarez, although it will also spur the autonomy movement in the more volatile northern Basque provinces. One-sixth of Spain's 35,000,000 people live in Catalonia, which includes the major industrial center of Barcelona. Home rule in the area last existed in the 1930s, before being abolished by General Franco in 1938.

The government action restored authority to the Generalitat, a 16-member executive council that will direct administration of local government affairs. The central government will retain control over foreign affairs, national defense and the total budget allocation for the region.

VIETNAM "ON THE BACK BURNER"?

After a promising start toward normalization of relations with Hanoi, the Carter administration now "seems to have placed

vietnam Vietnam on the back burner among its foreign policy concerns," according to the *Christian Science Monitor* Sept. 28. As an example of how far the Carter administration has "downgraded" its attempts to establish full diplomatic relations with Vietnam, the *Monitor* quotes a State Department official describing Vietnam's return of the remains of 22 American MIAs on Sept. 30. "It's a small event in what seems to be an increasingly small area of policy," the official said. The main reason given by U.S. officials for the deadlock in U.S.-Vietnam relations is that the Vietnamese are insisting on economic aid as a "precondition" for the establishment of relations. But the *Monitor* cites three other reasons: Carter, locked in a battle with Congress over the Panama Canal, does not have the "political capital" to establish full relations with Hanoi; the administration believes Vietnam needs normalized relations more than the U.S.; and "once the decision was made not to push forcefully this year for full diplomatic relations with the People's Republic of China, it followed that no big push would be made to establish relations with Vietnam." The *Monitor* added, however, that the administration does not appear to be completely united on the Vietnam issue. Andrew Young, the paper says, ignored State Dept. advice when he warmly welcomed Vietnam's recent entry into the United Nations.

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YUGOSLAVIA: Pres. Carter is considering stepping up arms sales to Yugoslavia, which totaled only \$267,000 in FY1977, as part of a cautious program to strengthen relations. (*Wall Street Journal* 10/4) • **AFRICA:** About 60 million people are unemployed or underemployed in Africa out of a total work force of 104 million. (Reuters 9/26) • **ANGOLA:** Angola's news agency reports daily incursions by South African planes and armored cars as well as shelling of border areas of Angola. (Reuters 9/28) • **NAMIBIA:** SWAPO and Chilean resistance forces say troops from Pinochet's Chile are fighting alongside South African forces against Namibian guerrillas. (*Excelsior* 9/22) • **SAHEL:** Drought is again threatening millions of people in Africa's Sahel and food aid officials are seeking 200,000 tons of food for the area. (Reuters 10/1) • **FRANCE:** After two days of new talks to revise their 1972 Common Program, French leftists indefinitely suspended further negotiations, jeopardizing the alliance favored to win general elections next March.

(*New York Times* 9/24) French treasury officials are already tightening currency transaction rules to frustrate corporate and personal efforts to move money out of the country in anticipation of a leftist victory in March. (*Business Week* 9/12) • **GUATEMALA:** At least 8 persons were killed and 23 jailed by army troops in anti-government demonstrations during Independence Day celebrations Sept. 14 in Guatemala City. (*Excelsior* 9/17) • **MEXICO:** To help reduce the flow of Mexican workers into the U.S., the Carter administration is considering a \$2 billion aid program for loans to encourage private business to develop labor-intensive industrial and agricultural concerns in Mexico. (*Washington Post* 9/23) • **ALBANIA:** The government has confirmed that Chinese technicians are still working in Albania despite a recent ideological rift between the two countries. (Reuters 9/30) • **MALAYSIA:** The U.S. agreed to send Malaysia "slightly enriched uranium" for an experimental nuclear reactor for peaceful purposes. (AP 9/27)

Worried

(continued from page 1)

trialized nations. All year, the U.S. has pressed Bonn and Tokyo—both of which have large trade surpluses—to promote domestic growth so that they can absorb more imports from countries with weak economies like Italy and Britain. Both countries announced modest expansionary packages just before the IMF/World Bank meeting, but the measures are expected to be insufficient to provide much help to other nations.

West Germany's growth rate is now expected to run below 4 percent this year, compared with the 5 percent pledged by Chancellor Helmut Schmidt at the London summit in May. Japan claims that it will still reach its target of 6.7 percent. But much of Japan's growth will come from exports, rather than from domestic tax relief and spending programs that might increase demand for imports and thereby help other nations.

- The U.S. economy, which has come the closest to meeting targeted growth rates, is slowing down in the second half of 1977. The Carter administration is now predicting a record trade deficit this year of \$25 to \$30 billion, which some economists argue has substantially helped other nations, because it means the U.S. has bought more from abroad than it has sold. But Treasury Secretary Michael Blumenthal has warned that the U.S. cannot be expected to offer as big a market for world goods next year. Even now, much of the trade deficit goes to Japan and to the oil-producing nations. The U.S. has a trade surplus with Western Europe.

- Overall, trade in the non-communist world is shrinking. That is a startling fact to Western governments, since nearly all are hoping to boost exports as a means of achieving economic recovery.

All this produced a consensus at the IMF/World Bank meeting that the strategy of depending on the U.S., Japan and West Germany to act as "locomotives" to pull the industrialized nations back to economic health had been inadequate, and that other nations should begin pursuing more expansionary policies. "The big question," as one

analyst put it, "is which country can afford to answer the call."

Several nations are expected to take mild steps to boost demand in coming months. Britain's Labor government is under pressure to provide tax cuts and budget increases. The French government, worried about elections next March, has already introduced a \$1.1 billion stimulus package. But no country appeared willing to launch a large-scale stimulus program in the near future. "We have not the slightest intention," declared Britain's Chancellor of the Exchequer Denis Healey, "of throwing away the gains we made in the fight against inflation by a spasmodic and excessive stimulation of demand." Healey suggested that Switzerland and the Netherlands might want to volunteer.

The U.S. appeared skeptical about the call for widespread growth, and continued to stress the central role of Japan and West Germany. Blumenthal told reporters that he did not see "too many other candidates that would be well advised to start reflating in a major way." U.S. Treasury officials warned that while Britain, France and possibly Italy have some room to apply stimulus, any moves should be very cautious.

In his bluntest warning yet to Japan, Blumenthal said that if Tokyo does not take urgent steps to reduce its huge trade surplus, "protectionist pressures will become very large, and justifiably so." The Japanese government is now forecasting a surplus of \$14 billion this year, nearly double its original estimate.

From the U.S. point of view, the prospect of a continuing slump in most of Europe makes it even more urgent that Japan and West Germany cut their trade surpluses by buying more goods abroad. That is the only way—short of reducing oil imports—that the U.S. will be able to reduce its huge deficit.

Washington is urging Japan to buy more goods from the U.S. While the IMF/World Bank meeting was going on in Washington, Commerce Secretary Juanita Kreps was in Tokyo warning that a continuation of the trade imbalance between the two countries is "simply unacceptable." She noted that the U.S. had had a trade deficit with Japan every year for the last decade. In the case of Germany, increased imports would probably come from Europe, but that in turn would enable Europeans to buy more goods from the U.S.

With the industrial nations preoccupied by their own economic problems, the issues raised by finance ministers from the Third World received relatively little attention. Among the concerns

voiced by Third World delegates were:

- Fear of increasing protectionism among the industrialized powers aimed at the manufactured goods of the developing countries.

- Support for expanding the capital of the World Bank in order to increase its lending capabilities.

- Opposition to proposals by the U.S. that the IMF work closely with private banks, supplying them with information gathered on countries seeking IMF loans.

- Support for greater expansion among the industrialized countries on the grounds that growth will increase Third World countries' access to Western markets, as well as to aid and loans.

- Complaints about stiff conditions on IMF loans, which some countries charged interfere with their sovereignty.

World Bank President Robert McNamara urged industrial countries to provide greater access to their markets for manufactured goods from the Third World. He said this could boost Third World exports by \$20 billion by 1985 without adding to unemployment in the West. His argument was that an increase in export earnings would enable developing nations to import more from the industrialized countries. —JA

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